



## 2008 State of the City Address San José Mayor Chuck Reed

January 16, 2008  
San José McEnery Convention Center

Good morning. Welcome everyone and thank you for joining San José's Community Breakfast.

I would like to congratulate our community volunteers and city employees who were just honored. Thank you for everything you do to make San José a great place to live, work and raise a family. Let's give them another round of applause.

And I want to thank our masters of ceremonies, Timothy Near and Roy Avila. You both have done so much to serve our community for many years.

My wife Paula is here. Paula, I want to thank you for your continued support and advice, especially when I am about to go out dressed in a way that might be a little embarrassing on YouTube.

Last year was a great year for me. Being the Mayor of San José is the best job in the world and I am blessed to have been elected to lead this City. Having been described by the Mercury News as "the normally placid-to-comatose Mayor Reed," I want to let you know there is no truth to the rumor that I have asked Body Worlds to find me a double to sit through our long Council meetings.

### **LAST YEAR WAS A GREAT YEAR FOR COOPERATION AND COLLABORATION IN SAN JOSE**

And there are a lot of people I need to thank for making it happen:

First, Don Kassing. Thanks, Don, for that introduction and for a great working relationship between the city and San José State. Don claims to be retiring at the end of the school year. Maybe we can convince him to stick around a little longer. Let's give him a hand to show our appreciation.

Our Santa Clara County Board of Supervisors. (Board Chair Pete McHugh, Supervisors Liz Kniss and Ken Yeager are here) Thanks to a renewed spirit of collaboration between the city and the county, we're working together on a long list of issues. The County provides vital services for the

people of San José. Please give the Board a hand to show our thanks.

Our 19 school district superintendents. (Marc Liebman, Bob Nunez, and George Perez are here today.) Thanks for working with us to rejuvenate our Schools/City Collaborative and helping us to find the best ways the city can support our schools.

Our state and federal legislators. (Jim Beall is here) Thanks for working with us on many issues, too numerous to list. Despite your heavy workloads and difficult travel schedules, you are always available when we need your help.

Governor Schwarzenegger. Thanks for your help, your hospitality, and your interest in San José.

Our former Mayors who have been encouraging and helpful with advice and empathy. (Tom McEnery and Susan Hammer are here.)

I also want to thank Debra Figone, Harry Mavrogenes, the other Council Appointees, my staff, and the many other people in City Hall, who helped me in many ways.

I especially want to thank my colleagues on the City Council. They work long and hard to improve the lives of our people. I appreciate their dedication to our city, their commitment to collaboration and their willingness to help make changes.

#### **LAST YEAR WAS A YEAR OF CHANGE IN SAN JOSE:**

We changed direction in ethics. 2007 was the year of the Reed Reforms to make honesty, fiscal responsibility and open government a part of the culture of city hall, to restore public trust, and to make it easier for the public to know what the City is doing and participate in the process.

We changed direction in budgeting. We began a new community based budgeting process to better identify priorities. We faced up to reality and began the difficult process of eliminating the structural budget deficit.

We changed direction in land use. We adopted new policies to stop the wholesale conversion of employment lands to save our jobs and tax base. We backed away from changing the triggers for development in Coyote Valley, and we launched a major update of the General Plan with a community wide task force.

## **LAST YEAR WAS A YEAR OF SUCCESS IN SAN JOSE:**

### Our economic development strategy is working.

Silicon Valley businesses, investors and developers are making major investments in our city. I have met personally with more than 75 Silicon Valley CEOs (Carl Guardino and Pat Dando thanks) and I have spoken to thousands of business leaders to deliver a simple message: We appreciate your business and want you to stay here and grow here!

And they are doing just that, with more than 5 billion dollars of new projects in North San José, Edenvale and Downtown.

We've got over 6 million square feet of new office space in the pipeline in North San José, along with nearly 9000 housing units.

In Downtown, we have new high-rise housing and office developments under construction.

Some of the CEO's and companies who are investing and growing in San José are with us this morning. Let's give them a hand.

### Our long term transportation plans are moving ahead with dramatic changes.

We led a successful regional effort to make sure the California High Speed Rail goes directly from San José to Los Angeles.

Bringing BART into San José to finish the rail link around the Bay got a big boost with more state and federal funding.

Our successful regional effort at the California Transportation Commission means more state funding for major freeway improvements, like 101 at Tully Road.

And we are on our way to a new airport that serves all of Silicon Valley with safety, comfort and convenience.

### Our permitting process is getting better.

Ten months ago, I pledged that San José's permitting process would be "measurably improved in one year." We are measuring performance and the early results are encouraging.

- If you want a permit to open a restaurant, it only takes 14 days.
- If you want a permit to install equipment in your factory, it only takes 4 days.
- If you want a permit for new tenant improvements in your office building it only takes 1 day.
- And more than 75% of our building inspections were completed within 24 hours.

We are making progress and I want to thank

- The Planning, Building and Code Enforcement Department,
- The San José/Silicon Valley Chamber of Commerce,

- The Home Builders Association,
- NAIOP,
- The Downtown Association,
- And the AIA

for their collaboration and hard work on this issue.

## **WE ALSO HAD SOME PROBLEMS LAST YEAR THAT I CANNOT IGNORE.**

The most troubling problem was the increase in gang violence and homicides. That's why I recommended, and the Council approved, an additional \$1 million for the work of the Mayor's Gang Prevention Task Force. With our community partners we are preventing kids from joining gangs and helping kids to escape gangs.

Thank you, Mayor Hammer, for creating the Task Force. Without it, our problems would be much worse. We've learned we cannot arrest our way out of our gang problems, and other cities are discovering this too. San José's strategy is now a national model, and I am pleased to be working with the Governor to help share San José's experiences with other cities around the state.

Despite these problems, the residents of San José are fortunate to live in a safe city. I would like to thank the men and women of the Police and Fire Departments who help to make that happen. Let's give them a hand.

Keeping our city safe is a challenge that all big cities are facing. There is no simple solution to crime and violence, but don't be mistaken, as our city grows so must our police department. Depending on our budget constraints, I hope to be able to recommend that we "grow the department" when we take up the budget in March.

Last year, the Council approved my recommendation to add new officers to our police force. Those officers will be on the job in a few months, joining a police force that is stretched too thin, as calls for service continue to grow. We need more officers on the streets, but simply adding officers is not enough.

We need to increase our recruiting efforts to make sure we get the officers we authorize. We need more civilian support staff to help our beat officers, and we need to make better use of the officers we have. Our new substation will help by putting officers closer to the neighborhoods and making the department more efficient, but more remains to be done.

To do more, we have to solve our budget problems. I will come back to that in a minute.

Before I do, it's important to look broadly at the future, because

## **SAN JOSE'S FUTURE IS BRIGHT.**

San José is a place where creative, hard working people from around the globe show the world how to live, work and play together in peace and prosperity.

It's good to know that democracy is alive and well in San José. Public demonstrations are visible proof of difference between life in San José and life in Vietnam. Here people are free to speak

their minds. In Vietnam, they are persecuted for speaking up.

The best holiday card I got was a thank you card from the Truong family for my support in winning their father's freedom. An American citizen, he was imprisoned in Vietnam for supporting democracy.

As I have said many times before, San José must remain the Capital of Silicon Valley, and Silicon Valley must remain the innovation center of the world.

But that will not happen without a collaborative effort to encourage and facilitate private sector investment. As we look long-term, our most important strategic initiative is San José's Green Vision, which is our roadmap to become the world's center of innovation in clean green technologies with 25,000 CleanTech jobs.

To move this initiative forward, I will bring a recommendation to the Redevelopment Board to create a Clean Tech Jobs Investment Fund so we can continue to encourage this new industry to locate and grow in San José.

We're already off to a good start. NanoSolar has opened the world's largest factory to print solar cells. SunPower is the fastest growing public tech company in the United States. And SoloPower just created 150 new manufacturing jobs. A Clean Tech Jobs Investment Fund will build on those successes.

The Green Vision is not just about solar. Remember those new projects I mentioned earlier, most of them will be green. Our goal is to build or retrofit 50 million square feet of green buildings. We're on our way with projects like Legacy's River Park Towers II that will be a LEED certified gold standard green building.

These are just two of the Green Vision's goals. You can find them all listed on the card on your tables. Our goals are bold – some might even say too bold – but we must aim high. We're looking forward into the future for our children and our grandchildren.

The City Council unanimously adopted the Green Vision and its 10 goals on October 30th. Let's give them a round of applause for their boldness.

Getting the Green Vision to the Council was the product of the efforts of many people over many months – city staff working with my team. City staff will bring an implementation plan with over 150 initiatives back to the Council on February 1<sup>st</sup>. Let's give them a hand for their hard work.

We have an exciting year ahead of us as we build momentum toward our Green Vision. Each of you can help. On the back of the Green Vision card is an Environmental Pledge to save water and energy and reduce air pollution and waste. You will also save some money in the process.

We'll help you get started. On the way out, you can pick up a free tree from Our City Forest. Our Green Vision goal is to plant 100,000 new trees, providing shade and helping reduce carbon in the atmosphere.

You can also pick up a free compact fluorescent light bulb from PG&E. Our Green Vision goal is to cut energy use per person by 50 percent, and we all can do our part.

As you can see, the state of the city is good and getting better.

Of course, you know we are the Capital of Silicon Valley, the innovation center of the world. And you know we are the tenth largest and one of the safest big cities in America. But there are a few other things you may not know about San José:

- San José has the highest median household income of all the big cities in the country.
- San José was Number 1 for nanotechnology R&D.
- San José leads the nation in patents.
- San José is one of America's most playful cities.
- San José is one of America's best fitness walking cities.
- San José is the best place in the country for women to meet men.

While we appreciate the recognition we have received, the fact is we cannot become a great city unless we eliminate our structural budget deficit.

Next year will be the eighth year in a row of budget shortfalls. State law requires us to balance our budget and we will have to make cuts in services. We are facing future operating budget shortfalls of over \$137 million.

In addition, we can't forget that we have a backlog in the General Fund of over 500 million dollars – yes, half a billion dollars – for repairs and other work to fill potholes and get our buildings, parks, pools and streets back into good condition.

You may wonder, as I often do, how we can have these chronic budget problems, and have to cut services every year, when we have the highest median household income of all the big cities in the country.

Even though our general fund revenues increased by 70% over the past 10 years our expenses went up faster.

Yes. We have a spending problem. We have a structural budget deficit because our expenses are going up faster than our revenues. As the old saying goes: "We have met the enemy and he is us."

That's the bad news. The good news is we have the ability to change our ways, and we will.

We will grow our revenues faster by having a vibrant economy and adding more jobs. Our economic development strategy is working and the Green Vision will continue that success.

We will get more efficient by using technology to increase productivity and by investing capital dollars to save energy and reduce maintenance costs.

We will slow the growth in our expenses by not agreeing to spend more money than we have. We spend two-thirds of our operating budget on personnel. We just cannot allow personnel costs to increase faster than revenues.

We respect the hard work of our 7,000 employees, and we value the services they provide to the community. We must continue to recruit and retain a high quality workforce. To do that, we have to be competitive in the market place, but we can remain competitive and still make adjustments in compensation and staffing that will help us eliminate our structural budget deficit.

Other cities have solved their budget problems with layoffs and salary cuts. That's **not** what I am suggesting. I am talking about smaller raises.

I am sorry to report it, but the six percent world of a few years ago is gone. Our revenues are expected to increase only by 3 percent to 4 percent annually over the next few years, and that has to be the benchmark for negotiating pay and benefits.

If the Council were to agree to pay and benefit increases of 6 percent over each of the next two years, the budget shortfall would increase by more than \$30 million. Simply put, big raises mean bigger service cuts.

I am asking all of our employees and the City Council to accept fiscal reality while we work together on our budget problems. I am not trying to balance the budget on the backs of our employees. I am also asking our businesses and residents to accept fiscal reality and help out with revenue increases and service cuts.

I am going to do my part as well. That's why this speech does not have a long list of new spending proposals.

Employees, residents, and taxpayers all need to help us solve our budget problems. We all have to work together. When we do, we will eliminate our structural budget deficit. We can do it. We should do it. We will do it.

Let there be no doubt that we have difficult decisions and a lot of hard work ahead of us this year, but we are also going to have a lot of fun and some great things are going to happen. Here are a few examples of what we can look forward to:

- Next month, the Tour of California will be back with the world's best cycling teams riding the streets of San José.
- The Zero One festival returns with exciting things that happen at the intersection of art and technology.
- Downtown will be cleaner, safer, and friendlier as the new Downtown Property Owners Association begins to deliver new services.

- The world's most efficient solar panels will be installed on The Tech, the world's best place to demonstrate technology.
- Our BioCenter will double in size to allow more bioscience companies to locate and grow in San José. (Thank you Carl Berg, wherever you are)
- We will start the renovation of our historic Civic Auditorium to create a first-class, live music venue.
- We will get scientists and engineers into school classrooms with the help of the Silicon Valley Leadership Group and the Role Model program.
- All of the Olympic Athletes from the entire country will be in San José as San José State University helps prepare them for their trip to the Summer Olympics.
- And the San José Earthquakes are back!

Yes. 2008 will be a good year for San José as we work together to build San José into a great city.

There are many elements to being a great city. One of the key elements is growing sustainably, preserving our open space, and protecting our environment. That's what our Green Vision is trying to accomplish. But it's not just a vision for City government. It's a vision for all of us.

The kids of San José know how much we need to plan for the future. They get it. We've got some of them here today who won the contest to illustrate the Green Vision goals. I'd like all of them and their families to stand up and be recognized.

These kids are going to help us achieve our Green Vision. You can too.

- If you support the Green Vision, please stand with us.
- If you will take the Environmental Pledge, please stand with us.
- If you will work together to make San José a great city, please stand with us.

Thank you all. Happy Green Year!